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SUBJECT: FINLAND: PRESIDENT'S NEW YEAR ADDRESS

1. (U) President Tarja Halonen's New Year's Day speech-- which also serves as Finland's de facto state of the union address-- focused on what she termed the "increasing disparity in income levels in Finland." Halonen said that Finland has been a winner in the emerging global economy, and that the country's wealth has increased correspondingly; however, this newfound affluence is not being distributed evenly among all sectors of society. Citing continued unemployment and a wider gap between haves and have-nots, Halonen cautioned Finns that "We must take better care of social justice." She also expressed hope that Finnish companies transferring jobs and operations abroad would "remember that they are Finnish and ...maintain close ties with Finland." Despite such globalization-related concerns, Halonen asserted that the fundamental structure of Finland's social welfare state was sound.

2. (U) Halonen restated her strong support for the United Nations, emphasizing the UN's role as one of the cornerstones of Finnish foreign policy. She also said that relations with Russia, the EU and U.S. were strong, further commenting that Finnish-U.S. relations were "running smoothly." Looking ahead to Finland's second-term 2006 EU Presidency, she said that Finland hoped to promote international security, economic growth, employment, social justice, and the environment.

3. (U) Comment: Halonen's address, doubling as campaign speech with a presidential election only two weeks away, hit on familiar themes: concern over social inequality, the necessity of ameliorating globalization's negative ramifications, and the health of Finland's external relations. The income disparity issue, which was also raised during recent televised presidential debates, highlights the unique perspective of the Nordic welfare states. By most international measures, income distribution in Finland is one of the most egalitarian in the developed world, and the oft-mentioned "disparities" involve increases in real income across the board, but with larger increases in the top income brackets. However, social equality issues have real resonance in Finland where social support is beginning to falter, the taxpayer is at maximum stress and there is no real revenue source for additional spending. Also, in social democratic Finland, individual displays of wealth are likely to provoke disapproving frowns unlike the envious or appreciative smiles it might elicit elsewhere. Halonen's remarks about strong relations with the U.S. were clearly calibrated to answer foreign policy critics who frequently cite less than optimal Finnish-U.S. ties (in their view) as one of her chief shortcomings.

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